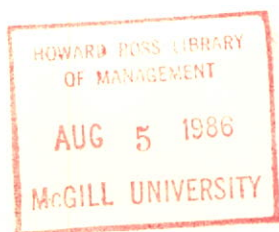




1983

ANNUAL REPORT





LETTER TO THE SHAREHOLDERS

April 30, 1984

As Receiver-Manager of Javelin International Limited, I want to inform you about some significant developments concerning Javelin that have occurred since I was appointed Receiver-Manager by the Quebec Superior Court on April 7, 1982 under the Canada Business Corporations Act. The Quebec Superior Court also suspended the powers of Javelin's Board of Directors and, in June 1982, I terminated the positions of all of Javelin's officers.

On March 30, 1984, the Quebec Superior Court extended the term of my appointment as Receiver-Manager until April 30, 1985, upon the application of Frederick H. Sparling, Director of Corporations of the Canadian Government Consumer and Corporate Affairs Department. The extension of my term as Receiver-Manager is subject to further extension or reduction by the Quebec Superior Court on application by any interested person should the circumstances warrant.

Mr. Sparling's application also requests the Quebec Superior Court (i) to appoint for no more than a three-year period (subject to extension or reduction) up to three fiduciaries to act as Javelin's receiver-manager, with the same powers granted to me by the April 7, 1982 order; (ii) to annul certain agreements, including a consultancy agreement between John C. Doyle, a Javelin subsidiary and Javelin, an arbitration award of approximately \$2,630,000 to Mr. Doyle and certain agreements related thereto, and the assignments of certain royalty payments by Javelin to a subsidiary, Pavonia, S.A., and a bank to guarantee the payment of Mr. Doyle's taxes; (iii) to order Mr. Doyle to pay Javelin \$25,000,000 in compensation for certain frauds he has allegedly committed against Javelin and its shareholders; and (iv) to cancel Mr. Doyle's common shares of Javelin.

Accompanying this letter are the unaudited consolidated financial statements of Javelin for the year ended December 31, 1982 and 1983. The financial statements are accompanied by a report

to me from Charette, Fortier, Hawey & Cie/Touche Ross & Cie, chartered accountants that were engaged to assist me in carrying out my functions as Receiver-Manager. The report of the chartered accountants states that the financial statements do not reflect adjustments that may be required as a result of (i) variances between book value of assets, their value determined in accordance with generally accepted accounting principles or their fair market value; (ii) final disposition of appeals against income tax and Newfoundland escalation tax assessments; and (iii) the outcome of other pending litigation and claims, and settlement of contractual contingent liabilities. Because Javelin has been unable to obtain access to and control of the operations, assets and books and records of its subsidiary, Pavonia, S.A. of Panama, Javelin's accompanying unaudited consolidated financial statements for 1982 and 1983 do not include the accounts of Pavonia and its subsidiary corporations. Pavonia controlled a significant part of Javelin's assets and revenues, including a gold and silver mine in El Salvador and bonds issued by the Republic of Panama. Javelin's unaudited consolidated financial statements for 1982 and 1983 reflect a write down as of December 31, 1981 from approximately \$25,000,000 (CDN) to \$1,00 (CDN) of Javelin's investment in and advances to Pavonia. While Javelin is seeking to obtain control of Pavonia, there is no assurance that it will be successful, or if successful, that Javelin will be able to realize its investment in and advances to Pavonia.

Javelin had, on an unaudited consolidated basis, revenues of \$14,481,932 (CDN) and net income of \$2,767,038 (CDN), or \$.386 (CDN) per share, for 1983 compared to revenues of \$8,707,710 (CDN) and a net loss of \$4,671,303 (CDN) or (\$.652) (CDN) per share, for 1982. As of December 31, 1983, Javelin's shareholders' equity was, on an unaudited consolidated basis, \$12,088,201 (CDN), or \$1,686 (CDN) per share, compared to \$9,321,163 (CDN) or \$1.30 (CDN) per share, as of December 31, 1982.

In February 1984, a Panama Court issued an order that a Panama corporation was the purchaser of Pavonia's capital stock for approximately \$714,000 (US) in satisfaction of an approximate \$714,000 (US) default judgement the Court issued against Javelin in 1983. Javelin had not been aware of the existence of the action by the Panama corporation against Javelin. The Panama corporation's action against Javelin was based on an alleged assignment by a Pavonia subsidiary of a claim against Javelin for payments made on Javelin's behalf to John C. Doyle, Javelin's principal shareholder. Javelin has filed an action seeking to nullify the judgement and

Pavonia's capital stock has been sequestered by the Court. In February 1984, the District Attorney of Panama City petitioned a Panama Court to place Pavonia under the administration of a court-appointed curator, under Panama's commercial code. Such action was requested by Javelin, as authorized by the Quebec Superior Court. Pavonia has requested the Panama Court not to grant the District Attorney's request, alleging, among other things, that Javelin is not Pavonia's sole shareholder.

Notwithstanding the Pavonia situation, I am pleased to report that during the two years I have served as Receiver-Manager of Javelin (i) several significant lawsuits involving Javelin and claims against Javelin have been settled resulting in a substantial reduction of Javelin's legal and related expenses; (ii) agreements have been reached with the Canadian Department of National Revenue resulting in significant reductions in previous tax and interest assessments and the elimination of legal and related expenses to continue challenging such assessments; and (iii) Javelin has regained control over its subsidiary Bison Petroleum & Minerals Limited, and an affiliated company, Dominion Jubilee Corporation Limited, and, as a result, eliminated the legal and related expenses to continue the several lawsuits involving Javelin's control of Bison and Dominion.

As a result of the above mentioned agreements with the Canadian Department of National Revenue, it is anticipated that Javelin will reach an agreement with Quebec tax authorities which may result in significant reduction of tax and interest assessments and the elimination of the legal and related expense to continue challenging such assessments.

As a result of the Bison and Dominion settlement agreements, which were approved by the Quebec Superior Court, Javelin continues to own approximately 61.2% and 33% of the outstanding capital stock of Bison and Dominion, respectively, and has regained control over the corporations. In connection with the settlement agreements, all of the directors and certain officers of Bison and Dominion resigned and their successors were appointed by me, as Javelin's Receiver-Manager. I also became President of Bison and Dominion. Bison, an Ontario corporation, is primarily engaged in oil and gas exploration and production in Saskatchewan, Canada. Dominion, through a subsidiary, owns certain mineral claims in Quebec, in the Labrador iron trough. Only minimal exploration has taken place on the properties covered by the claims.

Javelin has entered into an agreement with the Canadian Department of National Revenue concerning assessments of approximately \$8,200,000 (CDN) for the years 1970 through 1982, which Javelin has paid. Under the agreement, which was approved by the Quebec Superior Court, National Revenue has agreed to issue new assessments for the same years resulting in refunds of approximately \$4,200,000 (CDN) in taxes and \$2,100,000 (CDN) in interest. As part of the agreement, Javelin agreed to withdraw all outstanding objections filed with National Revenue and appeals made to the Federal Court of Canada with respect to the previous assessments. Javelin also accepted assessments of approximately \$230,000 (CDN) for withholding taxes in respect of payments during the period 1976 to 1982. Javelin's agreement with National Revenue is subject to the approval of the Federal Court of Canada.

In March 1983, the U.S. District Court for the Southern District of New York issued an order amending, for the duration of the Receiver-Manager's appointment, a judgment entered against Javelin in 1974 in settlement of an action by the U.S. Securities and Exchange Commission. The amendment (i) suspends the requirements concerning the election of "outside independent" directors, the maintaining of a compliance committee and the appointment of a public information officer and special counsel to the compliance committee; and (ii) requires the Receiver-Manager to perform the responsibilities of the compliance committee and public information officer. Upon the termination of the Receiver-Manager's appointment the amendment to the 1974 Judgment will be null and void and the 1974 Judgment will be in all respects as originally entered. The amendment also provides that Javelin shall promptly notify the SEC of any application to modify the Quebec Superior Court's April 7, 1982 Order appointing me as Receiver-Manager and that, upon the SEC's objection to such modification within 15 days, all provisions of the 1974 Judgment as originally entered shall be automatically reinstated. Javelin continues to be enjoined under the 1974 Judgment from violating certain provisions of the U.S. securities laws. Javelin has notified the SEC that my appointment as Receiver-Manager has been extended to April 30, 1985.

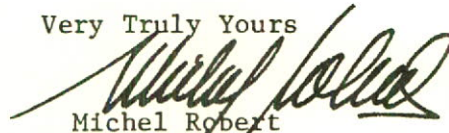
In September 1983, the Restrictive Trade Practices Commission of the Canadian Government issued a report concerning its investigation of the affairs and management of Javelin, under the Canada Corporations Act. The Commission concluded its report by recommending that three trustees be appointed with full power over Javelin's assets and business affairs for an initial term of five years, that the trustees should seek to sell Javelin's assets and distribute the

proceeds to its shareholders, except if reasonable prices cannot be obtained for certain properties, the trusteeship could be continued to receive and distribute Javelin's income, and that the Canadian Government should take prompt action with the Panama government with respect to Pavonia to guard against further erosion of shareholders' interest. I have expressed my belief that the proposed liquidation of Javelin may not be in the best interest of its shareholders.

As discussed in notes 5, 7, 8, 11 and 15 to Javelin's accompanying financial statements, there are several significant claims and lawsuits pending between Javelin and the Province of Newfoundland that concern, among other things, assessments under the Mining and Mineral Rights Tax Act, the Linerboard Project, the Julienne Lake interests and an escalation tax on Javelin's royalties from the Wabush mines.

As discussed in note 17 to Javelin's financial statements, Javelin receives royalties from Wabush Mines on iron ore shipped at rates based on the published Lake Erie price of Old Range Non-Bessemer ore, but not less than \$3,250,000 annually. However, starting in February 1984, such prices of Old Range Non-Bessemer ore are no longer published. Accordingly, Javelin is seeking to reach an agreement with the operator of the Wabush mines to establish a new basis for determining the amount of royalties to be paid to Javelin for the shipment of iron ore from the Wabush mines.

Very Truly Yours



Michel Robert

Receiver-Manager

Javelin International Limited

c/o Robert, Dansereau, Barré,
Marchessault & Lauzon
P.O. Box 67, Station Desjardins
1, Complexe Desjardins, Suite 1211
Montréal, (QUEBEC) H5B 1B2
Canada

JAVELIN INTERNATIONAL LIMITED

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 1982 AND 1983

Charette, Fortier, Hawey & Cie Touche Ross & Cie

REPORT TO THE RECEIVER-MANAGER

Mr. Michel Robert, Q.C.,
Receiver-manager,
Javelin International Limited.

In accordance with the judgment of the Superior Court of the District of Montreal dated April 7, 1982, appointing you receiver-manager of Javelin International Limited, you have engaged us to assist you in carrying out your functions.

You have instructed us to prepare unaudited consolidated financial statements of Javelin International Limited for the years ended December 31, 1982 and 1983. Such financial statements are to form part of your report as receiver-manager of the Company.

We have prepared the unaudited consolidated financial statements of Javelin International Limited included herewith for the years ended December 31, 1982 and 1983 on the bases disclosed in Notes 2 and 3 to the financial statements from the accounting records of the Company and the financial statements of its subsidiaries. They do not reflect adjustments which may be required as a result of:

- Variances between book value of assets, their value determined in accordance with generally accepted accounting principles or their fair market value.
- Final disposition of appeals against income tax and Newfoundland escalation tax assessments.
- Outcome of other pending litigation and claims, and settlement of contractual contingent liabilities.

Such adjustments, if required, may significantly affect the financial position of the Company and its net income for 1982 and 1983.

We have not conducted an audit and consequently we do not express an opinion on the attached consolidated financial statements.

*Charette Fortier Hawey & Co
Touche Ross & Co*

Montreal, Quebec,
March 20, 1984.

Chartered Accountants



JAVELIN INTERNATIONAL LIMITED
(Incorporated under the Canada Business Corporations Act)

CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31

	<u>1983</u> (Canadian \$)	<u>1982</u> (Canadian \$)
<u>ASSETS</u>		
Current		
Cash	\$ 2,191,406	\$ 399,145
Short-term investments	1,562,776	693,259
Royalties and other receivables (Note 4)	4,188,716	1,994,726
Receivable from the Government of Newfoundland (Note 5)	3,020,561	2,752,945
Income taxes (Note 13)	1,871,417	2,876,397
Deposits and prepaid expenses	<u>48,467</u>	<u>308,038</u>
	12,883,343	9,024,510
Present value - Javelin-Wabush Iron Contract (Note 6)	5,064,589	5,162,064
Balance claimed on sale of the Linerboard Project (Note 7)	3,079,334	3,079,334
Compensation receivable - Julianne Lake (Note 8)	750,000	750,000
Advances to and investments in non-consolidated subsidiaries and associated companies (Note 9)	129,267	155,787
Mortgage, 13%, due 1988, receivable in monthly instalments of \$5,049 including interest	451,273	454,499
Properties, mineral rights, leases, permits and concessions including exploration, development and well costs, plant and equipment (Note 10)	4,887,641	5,669,284
	<u>\$27,245,447</u>	<u>\$24,295,478</u>

See report to the receiver-manager.
Unaudited.

JAVELIN INTERNATIONAL LIMITED
(Incorporated under the Canada Business Corporations Act)

CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31

	<u>1983</u> (Canadian \$)	<u>1982</u> (Canadian \$)
<u>LIABILITIES</u>		
Current		
Accounts payable	\$ 1,788,627	\$ 2,831,801
Amounts claimed by the Government of Newfoundland (Note 11)	<u>10,832,496</u>	<u>9,611,216</u>
	12,621,123	12,443,017
Due to non-consolidated subsidiaries	762,271	754,422
Advances from minority shareholders	103,878	117,574
Debentures (Note 12)	500,000	488,750
Deferred income taxes	53,828	61,810
Minority shareholders' equity	<u>1,116,146</u>	<u>1,108,742</u>
	<u>15,157,246</u>	<u>14,974,315</u>
Commitments, contingent liabilities and litigation (Notes 14 and 15)		
<u>SHAREHOLDERS' EQUITY</u>		
Capital stock (Note 16)	42,592,787	42,592,787
Contributed surplus	45,000	45,000
Deficit	<u>(30,549,586)</u>	<u>(33,316,624)</u>
	<u>12,088,201</u>	<u>9,321,163</u>
	<u>\$27,245,447</u>	<u>\$24,295,478</u>

See report to the receiver-manager.
Unaudited.

JAVELIN INTERNATIONAL LIMITED

CONSOLIDATED STATEMENT OF DEFICIT
FOR THE YEAR ENDED DECEMBER 31

	<u>1983</u> (Canadian \$)	<u>1982</u> (Canadian \$)
Deficit at beginning of year, as previously stated	\$33,316,624	\$ 1,328,108
Prior year adjustments		
Change in reporting entities (Note 2)		
Pavonia S.A.	-	24,132,541
Bison Petroleum & Minerals Limited	-	2,231,478
Settlement of income tax litigation with the Government of Newfoundland (Note 5)	-	(646,632)
Settlement of income tax litigation with Revenue Canada and Quebec authorities (Note 13)	<u>-</u>	<u>1,599,826</u>
Deficit at beginning of year, as restated	33,316,624	28,645,321
Net (income) loss for the year	<u>(2,767,038)</u>	<u>4,671,303</u>
Deficit at end of year	<u>\$30,549,586</u>	<u>\$33,316,624</u>

See report to the receiver-manager.
Unaudited.

CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31

	1983 (Canadian \$)	1982 (Canadian \$)
Revenue		
Gross royalties earned on iron ore	\$10,847,371	\$ 6,367,436
Oil royalties	278,770	138,319
Sale of oil and gas	976,454	784,000
Dividends from an associated company	263,504	165,557
Javelin-Wabush Iron Contract	1,330,959	793,632
Interest and other	784,874	458,766
	<u>14,481,932</u>	<u>8,707,710</u>
Costs and expenses		
Direct cost of royalties earned on iron ore		
Newfoundland mining tax	1,839,203	1,029,609
Newfoundland escalation tax (Note 11)	2,021,073	1,189,017
Royalties paid to an associated company	1,631,505	959,925
Amortization and depreciation	601,673	602,321
Provision on mineral rights	180,104	694,681
	<u>6,273,558</u>	<u>4,475,553</u>
Direct cost of oil and gas		
Well operating	215,915	245,871
Exploration and development	104,273	110,562
Amortization, depreciation and depletion	15,844	14,125
	<u>336,032</u>	<u>370,558</u>
Loss on sale of properties	-	40,639
Administration and general	<u>1,715,137</u>	<u>2,829,879</u>
Fees paid to receiver-manager and other professionals including disbursements	<u>895,388</u>	<u>787,442</u>
	<u>9,220,115</u>	<u>8,504,071</u>
Income before income taxes, minority interest and extraordinary items	5,261,817	203,639
Income taxes (Note 13)	<u>3,042,375</u>	<u>903,049</u>
Income (loss) before minority interest and extraordinary items	2,219,442	(699,410)
Minority interest	<u>7,404</u>	<u>73,965</u>
Income (loss) before extraordinary items	2,212,038	(773,375)
Extraordinary items (Note 18)	<u>555,000</u>	<u>(3,897,928)</u>
Net income (loss) for the year	<u>\$ 2,767,038</u>	<u>(\$ 4,671,303)</u>
Earnings (loss) per share		
Income (loss) per share before extraordinary items	\$0.308	(\$0.108)
Extraordinary items	<u>0.078</u>	<u>(0.544)</u>
Net income (loss) per share for the year	<u>\$0.386</u>	<u>(\$0.652)</u>

See report to the receiver-manager.
Unaudited.

JAVELIN INTERNATIONAL LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
 FOR THE YEAR ENDED DECEMBER 31

	<u>1983</u> (Canadian \$)	<u>1982</u> (Canadian \$)
Source of funds		
Operations		
Income (loss) before extraordinary items	\$2,212,038	(\$ 773,375)
Items not requiring an outlay of funds		
Amortization, depreciation and depletion	617,517	616,446
Provision on mineral rights	180,104	694,681
Gain on disposal of fixed assets	(7,853)	-
Amortization of discount on debentures	11,250	15,000
Deferred income tax	(7,982)	-
Foreign exchange loss on non-current items	7,849	18,302
Provision on advances to a non-consolidated subsidiary	26,520	-
Minority interest	<u>7,404</u>	<u>73,965</u>
Funds provided from operations	3,046,847	645,019
Gain on settlement of debts	555,000	247,122
Javelin-Wabush Iron Contract	97,475	46,812
Mortgage receivable	3,226	3,501
Net proceeds from disposal of fixed assets	<u>10,537</u>	<u>65,941</u>
	<u>3,713,085</u>	<u>1,008,395</u>
Application of funds		
Provision relating to advances made to a subsidiary	-	810,680
Non-current advances to non-consolidated subsidiaries	-	63,601
Additions to properties, mineral rights, leases, permits and concessions including exploration, development and well costs, plant and equipment	18,662	132,496
Reduction of advances from minority shareholders	13,696	-
Mortgage repayments	-	13,770
Reclassification of deferred income tax	<u>-</u>	<u>38,433</u>
	<u>32,358</u>	<u>1,058,980</u>
Increase (decrease) in working capital	3,680,727	(50,585)
Restated working capital deficiency at beginning of year	<u>(3,418,507)</u>	<u>(3,367,922)</u>
Working capital (deficiency) at end of year	<u>\$ 262,220</u>	<u>(\$3,418,507)</u>

See report to the receiver-manager.
 Unaudited.

Javelin International Limited
Consolidated statement of changes in financial position
for the year ended December 31

	<u>1983</u> (Canadian \$)	<u>1982</u> (Canadian \$)
Changes in components of working capital		
Current assets		
Cash	\$1,792,261	\$ 340,592
Short-term investments	869,517	453,259
Royalties and other receivables	2,193,990	(1,635,171)
Receivable from the Government of Newfoundland	267,616	273,362
Income taxes	(1,004,980)	1,148,344
Deposits and prepaid expenses	<u>(259,571)</u>	<u>77,945</u>
Increase in current assets	<u>3,858,833</u>	<u>658,331</u>
Current liabilities		
Accounts payable	1,043,174	(70,448)
Amounts claimed by the Government of Newfoundland	<u>(1,221,280)</u>	<u>(638,468)</u>
Increase in current liabilities	<u>(178,106)</u>	<u>(708,916)</u>
Increase (decrease) in working capital	<u>\$3,680,727</u>	<u>(\$ 50,585)</u>

See report to the receiver-manager.
Unaudited.

JAVELIN INTERNATIONAL LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1982 AND 1983

1. a. Appointment of a receiver-manager by the Superior Court of the District of Montreal

On April 7, 1982, following an application presented in January 1982 by Inversiones Montforte S.A. and subsequently amended, the Superior Court of the District of Montreal, appointed Michel Robert, Q.C. as receiver-manager of the Company's affairs pursuant to Section 234 of the Canada Business Corporations Act, for 24 months commencing on the date of the order, subject to extension or reduction by the Superior Court at the request of an interested person. The Superior Court also suspended the directors' powers and certain contracts and payments involving the Company and/or all subsidiaries controlled by John C. Doyle and/or Mr. Doyle himself. The Superior Court also authorized the receiver-manager to engage Charette, Fortier, Hawey & Cie Touche Ross & Cie, Chartered Accountants, and such legal counsel as he may require to carry out his functions. The order specifies that the expenses and costs of the receiver-manager will be paid by the Company in the amounts approved by the Superior Court.

- b. Inquiry under Section 114 of the Canada Corporations Act

In 1977, an inquiry under Section 114 of the Canada Corporations Act began, following an order made by the Restrictive Trade Practices Commission of Canada ("the Commission"). The director of the Corporations Branch of the Ministry of Consumer and Corporate Affairs (Canada) was appointed Inspector to conduct the inquiry.

In 1982, the Commission commenced hearings to consider evidence and representations in support of or against the Inspector's statement of evidence. In September 1983, the Commission handed down its report and recommended that three trustees be appointed with full power over the Company's assets and business affairs for an initial term of five years, that the trustees should seek to sell the Company's assets and distribute the proceeds to its shareholders (except that if reasonable prices cannot be obtained for certain properties, trusteeship could be continued for the purpose of receiving and distributing income from the properties), and that the Canadian Government should take action as soon as possible with the Panamanian Government with respect to the Company's subsidiary, Pavonia S.A., to guard against further erosion of shareholders' interest.

See report to the receiver-manager.
Unaudited.

Javelin International Limited
Notes to consolidated financial statements
December 31, 1982 and 1983

2. Principles of consolidation

The consolidated financial statements include the accounts of Javelin International Limited and all of its subsidiaries, except Pavonia S.A. and its subsidiaries (Pavonia) and Bison Brewing Company Limited. Since the appointment of the receiver-manager, the Company has been unable to obtain access to and control of Pavonia's operations, assets and books and records. Furthermore, proceedings similar to the receivership under the Canada Business Corporations Act have been taken against Pavonia at the Company's request. Consequently, Pavonia's accounts have been excluded from the consolidation.

Investment in and advances to Pavonia have been written down to \$1. The resulting adjustment of \$24,132,541 has been added to the consolidated deficit previously reported as of December 31, 1981. In addition, advances amounting to \$810,680 made to Pavonia between January 1, 1982 and April 7, 1982 were entirely provided for and the related loss has been shown as an extraordinary item in the year ended December 31, 1982 (Note 18).

The accounts of a subsidiary, Bison Petroleum & Minerals Limited, have been consolidated for the years ended December 31, 1982 and 1983. As of December 31, 1981, Bison Petroleum & Minerals Limited was excluded from consolidation as there was litigation over the ownership of that company. This litigation was settled on December 21, 1983 as explained in Note 15f. re-establishing the control of Javelin International Limited over Bison Petroleum & Minerals Limited. The participation of Javelin International Limited in Bison Petroleum & Minerals Limited was given retroactive effect and consequently the consolidated deficit reported as of December 31, 1981 was increased by \$2,231,478.

Bison Brewing Company Limited, a wholly owned subsidiary of Bison Petroleum & Minerals Limited, is excluded from consolidation as it has ceased active commercial operations and sold its major assets. Potential losses of Javelin International Limited in the equity of this subsidiary have been provided for.

3. Accounting policies

Going concern

The accompanying consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern. Accordingly they do not give effect to adjustments that might be necessitated should, as a result of the matters disclosed in Note 1b., the Company be impaired in its ability to continue to operate as a going concern, and in whole or in part to realize its assets and liquidate its liabilities, contingent obligations and commitments in other than the normal course of business and at amounts different from those in the accompanying financial statements.

See report to the receiver-manager.
Unaudited.

Javelin International Limited
Notes to consolidated financial statements
December 31, 1982 and 1983

3. Accounting policies (continued)

Advances to and investments in associated companies

Potential losses on advances to and investments in associated companies are provided for as and when required.

Properties, mineral rights, leases, permits and concessions including exploration, development and well costs, plant and equipment

Plant and equipment are stated at cost less accumulated depreciation calculated primarily on the declining balance method.

The costs of properties, mineral rights, leases, permits and concessions including exploration, development and well costs are being deferred until such time as the properties are placed in production, sold or abandoned. If placed in production, costs are amortized by charges to income over the estimated useful life of the property.

Javelin-Wabush Iron Contract

Future receipts on the balance of the sale price of 10% of the capital stock of Wabush Lake Railway Company Limited and 10% of the capital stock of Wabush Iron Company Limited are reflected as an asset at their present value, calculated on the remaining minimum payments receivable discounted at 5% per annum.

Foreign currency translation

Assets and liabilities are converted using the year-end conversion rates. Exchange gains and losses are given immediate recognition in the statement of income.

Earnings per share

Earnings per share are calculated using the number of common shares outstanding. Outstanding warrants, convertible debentures and options have no material dilutive effect on earnings per share.

See report to the receiver-manager.
Unaudited.

Javelin International Limited
Notes to consolidated financial statements
December 31, 1982 and 1983

4. Royalties and other receivables

	<u>1983</u>	<u>1982</u>
Royalties from Wabush Mines	\$2,379,877	\$ 811,150
Javelin-Wabush Iron Contract	1,428,433	840,444
Dividend - Knoll Lake Minerals recorded on the accrual basis	151,041	143,608
Other receivables, trade	<u>229,365</u>	<u>199,524</u>
	<u>\$4,188,716</u>	<u>\$1,994,726</u>

5. Receivable from the Government of Newfoundland

	<u>1983</u>	<u>1982</u>
Refund resulting from assessment notices	\$2,752,945	\$2,479,583
Provision for refund for the year	<u>267,616</u>	<u>273,362</u>
	<u>\$3,020,561</u>	<u>\$2,752,945</u>

During the year ended December 31, 1983, the Government of Newfoundland assessed the Company for the years 1975 to 1982 under the Mining and Mineral Rights Tax Act, allowing expenses in reduction of the taxable income as previously claimed by the Company.

Of the amounts assessed, \$646,632 represents amounts receivable for the years prior to 1982 in excess of the amounts recorded by the Company for those years and has been accounted for accordingly.

6. Present value - Javelin-Wabush Iron Contract

An amount resulting from the sale to Wabush Iron Company Limited of 10% of the capital stock of Wabush Lake Railway Company Limited and 10% of the capital stock of Wabush Iron Company Limited on January 30, 1959 is payable as iron ore is shipped from the Wabush leased premises at varying rates. Such amounts should not be less than \$275,000 per year. As at December 31, 1983 the balance receivable under this agreement was \$14,295,066 (1982 - \$15,723,500).

If the Wabush lease is cancelled by Wabush Iron Company Limited, as it may do on 60 days' notice, no further payments thereon need be made, but the mining lease must be surrendered to Javelin International Limited, and if Wabush Iron Company Limited defaults in making the required payment of any instalment, when due, and which default shall not be remedied within 60 days of notice of default, it must also surrender to Javelin International Limited the title to, and possession of, all its buildings, plant and machinery on the leased premises.

Javelin International Limited
Notes to consolidated financial statements
December 31, 1982 and 1983

6. Present value - Javelin-Wabush Iron Contract (continued)

During the year ended December 31, 1977, the Company included in its income for the year the profit on the sale of capital stock, calculated on the remaining minimum payments receivable discounted at 5%. At December 31, 1983, the present value of annual minimum payments calculated on the same basis amounted to \$5,064,589 (1982 - \$5,162,064).

7. Balance claimed on sale of the Linerboard Project

This balance results from a claim filed by the Company for a sum of \$3,779,334, excluding interest, in addition to the \$6,600,000 already received from the Government of Newfoundland regarding the sale of the Linerboard Mill Project at Stephenville and associated wood harvesting operations in Goose Bay (Note 15d.). As there is no assurance that the Company will recover the full amount, an allowance of \$700,000 for possible uncollectability has been recorded.

On April 30, 1982, the Company instituted proceedings in the Trial Division of the Supreme Court of Newfoundland claiming the amount of \$1,272,367.50 regarding issues which are not included in the claim presently pending before the arbitration board. This additional amount has not been recorded as receivable.

8. Compensation receivable - Julianne Lake

In 1960, the Company leased properties at Julianne Lake in Labrador for a period of 99 years. In 1975, the Government of Newfoundland passed an act called the Reversion Act to provide for the reversion of these properties to the Province for a maximum compensation of \$750,000 (Note 15c.).

The investment of the Company in these properties amounted to \$3,549,271. Due to the uncertainty of the Company realizing its investment of \$3,549,271 in the Julianne Lake property, an allowance of \$2,799,271 was provided for the difference between the investment in these properties and the maximum amount of the consideration provided for in the Reversion Act.

See report to the receiver-manager.
Unaudited.

Javelin International Limited
Notes to consolidated financial statements
December 31, 1982 and 1983

9. Advances to and investments in non-consolidated subsidiaries and associated companies

Advances to and investments in non-consolidated subsidiaries and associated companies, net of provisions, are as follows:

	<u>1983</u>	<u>1982</u>
Non-consolidated subsidiaries		
Pavonia S.A.	\$ 1	\$ 1
Bison Brewing Company Limited	125,000	151,520
Associated companies		
Knoll Lake Minerals Limited	4,263	4,263
Dominion Jubilee Corporation Limited	1	1
Jubilee Quebec Holdings Limited	1	1
Norlex Mines Limited	<u>1</u>	<u>1</u>
	<u>\$129,267</u>	<u>\$155,787</u>

10. Properties, mineral rights, leases, permits and concessions including exploration, development and well costs, plant and equipment

This amount includes unamortized expenses on mineral leases of the Wabush Project of \$4,104,659 as at December 31, 1983 and \$4,705,255 as at December 31, 1982. These expenses are being amortized on the straight-line basis over a period of 25 years.

11. Amounts claimed by the Government of Newfoundland

	<u>1983</u>	<u>1982</u>
Escalation tax on royalties (a)	\$10,393,165	\$8,632,051
20% tax - Knoll Lake royalties from 1976 to 1978 (b)	<u>439,331</u>	<u>979,165</u>
	<u>\$10,832,496</u>	<u>\$9,611,216</u>

See report to the receiver-manager.
Unaudited.

Javelin International Limited
Notes to consolidated financial statements
December 31, 1982 and 1983

11. Amounts claimed by the Government of Newfoundland (continued)

(a) Escalation tax on royalties

Under the Government Javelin Taxation (Confirmation of Agreement) Act of 1959 as amended, the Government of Newfoundland is claiming an escalation tax on shipments of iron ore concentrate computed from the Lake Erie market price. The rate was \$0.39637 per ton in 1982 and in 1983.

The Company contested the validity and applicability of this tax in the Trial Division of the Supreme Court of Newfoundland and a decision was rendered against the Company. The Company appealed the decision in September 1982 in the Appeals Division of the Supreme Court of Newfoundland (Note 15e.). Amounts accrued by the Company are as follows:

	<u>1983</u>	<u>1982</u>
1976	\$ 831,394	\$ 831,394
1977	1,014,772	1,014,772
1978	862,894	862,894
1979	1,304,145	1,304,145
1980	1,341,961	1,341,961
1981	1,827,909	1,827,909
1982	1,189,017	1,189,017
1983	2,021,073	-
Deferred	<u>-</u>	<u>259,959</u>
	<u>\$10,393,165</u>	<u>\$8,632,051</u>

- (b) An amount of \$939,331 as tax on royalty payments to Knoll Lake Minerals Limited was claimed by the Government of Newfoundland for the years 1976 to 1978.

During the year, the Company and the Government entered into an agreement providing for the payment of this amount by instalments of \$500,000 in July 1983 and the balance in January 1984.

Javelin International Limited
Notes to consolidated financial statements
December 31, 1982 and 1983

12. Debentures

	<u>1983</u>	<u>1982</u>
Principal	\$500,000	\$500,000
Less unamortized discount on issuance	<u>-</u>	<u>11,250</u>
	<u>\$500,000</u>	<u>\$488,750</u>

These debentures bear interest at the London Inter Bank Offer Rate plus 3% and expired September 30, 1983.

Until it is confirmed that the Company received an appropriate consideration for issuance of these debentures and until their owner is identified, payments of principal and interest have been suspended.

13. Income taxes

	<u>1983</u>	<u>1982</u>
Income taxes receivable	<u>\$1,871,417</u>	<u>\$2,876,397</u>

Income taxes receivable have been calculated on the following bases:

- a. Subsequent to December 31, 1983 the Company reached an agreement with Revenue Canada settling all outstanding litigation upon federal income taxes for the years 1970 to 1982. The provision for income taxes receivable as at December 31, 1982 takes into account the settlement reached and income taxes for the year ended December 31, 1983 have been calculated on the basis agreed upon in the settlement.
- b. Provincial income taxes receivable from the Province of Quebec have been estimated on the assumption that the Quebec authorities will concur with the changes made by Revenue Canada.

The agreement reached with Revenue Canada reduced the income taxes previously assessed by an amount of approximately \$7,350,000 including provincial income taxes and interest.

The income taxes receivable shown in the financial statements are presented net of amounts payable.

Of the adjustments made to the financial statements to take into account the agreement, an amount of \$1,599,826 relates to the years 1970 to 1981 and is shown as a prior years' adjustment in the consolidated statement of deficit.

Furthermore, in 1981, Revenue Canada assessed Julco Iron Corporation Limited (Julco), a subsidiary, \$102,077 (including interest) for 1977 income taxes in respect to the expropriation of the Julienne Lake Deposit. Julco is contesting this assessment and no provision has been made in the financial statements.

Javelin International Limited
Notes to consolidated financial statements
December 31, 1982 and 1983

14. Commitments

- a. Under a 1975 consulting contract with John C. Doyle, guaranteed by Javelin International Limited and Pavonia S.A., Javelin Export Limited, a subsidiary, is obligated to pay \$209,000 (U.S.) per year to Mr. Doyle, through to March 1985. However, the court order appointing the receiver-manager of the Company orders the suspension of certain contracts and payments involving the Company and/or all subsidiaries controlled by Mr. Doyle and/or Mr. Doyle himself (Note 1a.).
- b. Prior to 1982, the Company had entered into individual retirement agreements with certain retired employees. All these agreements were terminated in 1982 or in 1983 except one. Annual payments under this agreement are of approximately \$38,000 (U.S.) subject to cost of living adjustments. Based on the actuarial valuation as at December 31, 1983 the present value of the retirement benefit amounts to \$330,237. Payments under these agreements or upon their termination were charged to operations in the year they were made.

15. Contingent liabilities and litigation

- a. Contestation of an application made in Ontario by William M. Wismer under Section 234 of the Canada Business Corporations Act

On September 8, 1981, William M. Wismer instituted proceedings in the Supreme Court of Ontario for the appointment of a receiver-manager under Section 234 of the Canada Business Corporations Act, for the replacement of the Company's directors, and the setting aside of certain contracts under which sums of money were to be paid to John C. Doyle, and to force the Company to purchase the securities of Mr. Doyle. In February 1982, Mr. Wismer filed a notice of motion in this matter also seeking the winding-up of the Company under Section 234.

On June 16, 1982, the Supreme Court of Ontario stayed Mr. Wismer's application until such time as the Superior Court of the District of Montreal ceases to exercise jurisdiction with respect to a similar application filed by Inversiones Montforte S.A., which led on April 7, 1982, to the appointment of Mr. Michel Robert, Q.C., as receiver-manager. Nevertheless, the Supreme Court of Ontario awarded costs to Mr. Wismer up to April 7, 1982. The latter appealed the refusal by the Supreme Court of Ontario to exercise jurisdiction and to grant his application, while the Company appealed the matter of the costs. In September 1982, the Court of Appeal of Ontario, following a request for dismissal of appeal, dismissed the appeal filed by Mr. Wismer on the basis that this appeal had not been instituted before the appropriate court.

See report to the receiver-manager.
Unaudited.

Javelin International Limited
Notes to consolidated financial statements
December 31, 1982 and 1983

15. Contingent liabilities and litigation (continued)

Upon consent of both parties the application was dismissed without cost by an order of the Supreme Court of Ontario rendered on December 29, 1983.

b. S.E.C. v. Javelin International Limited et al.

In 1974, a permanent injunction was issued by a U.S. District Court in settlement of an action instituted in 1973 by the Securities and Exchange Commission ("SEC") against the Company, John C. Doyle and William M. Wismer. The judgment enjoins the Company from violating section 17(a) of the Securities Act 1933 and section 10(b) of the Securities Exchange Act of 1934. The judgment also contains provisions concerning the "independence" of the directors, and the maintenance of a compliance committee responsible to verify the information to be disclosed to the public and the SEC, an information officer and a special counsel to the committee. In 1979, the U.S. District Court issued another injunction against the Company enjoining it from filing late reports with the SEC. The Company consented to the issuance of these two orders, without admitting or denying the SEC's allegations.

In March 1983, as requested by the receiver-manager, the U.S. District Court issued an order amending the 1974 judgment for the duration of the receiver-manager's appointment. The amendment suspends the requirements concerning the election of "outside independent" directors, the maintaining of a compliance committee and the appointment of a public information officer and special counsel to the compliance committee; and requires the receiver-manager to perform the responsibilities of the compliance committee and public information officer. Upon the termination of the receiver-manager's appointment the amendment to the 1974 judgment will be null and void and the 1974 judgment will be in all respects as entered in July 1974. The amendment also provides that the Company shall promptly notify the SEC of any application to modify the April 7 order and that, upon the SEC's objection to such modification within 15 days, all provisions of the 1974 judgment as entered in July 1974 shall be automatically reinstated.

See report to the receiver-manager.
Unaudited.

Javelin International Limited
Notes to consolidated financial statements
December 31, 1982 and 1983

15. Contingent liabilities and litigation (continued)

c. Legal contestation of the validity of the Reversion Act

In 1960, the Company leased from NALCO properties extending over 1.29 square miles in the Julienne Lake area in Labrador for a period of 99 years.

In 1975, the Newfoundland Legislature adopted an "act to provide for the reversion to the Province of certain mineral lands in Labrador known as the Julienne Lake Deposit and comprising approximately 1.29 square miles" (the Reversion Act). This law provided for the repossession of these properties by the Government of Newfoundland in exchange for a maximum compensation of \$750,000. The amounts invested by the Company in these properties totalled \$3,549,271.

In 1978, the Company instituted an action seeking to have the Reversion Act declared unconstitutional by the Supreme Court of Newfoundland and to force the Government of Newfoundland to respect its obligations regarding the Julienne Lake Deposit. This action is still pending.

d. The Linerboard Project

In 1972, the Government of Newfoundland acquired the assets of a paper mill project at Stephenville, Newfoundland, and the associated wood harvesting operations in Goose Bay, Labrador. The Government of Newfoundland has already paid the sum of \$6,600,000 to the Company and its subsidiaries. In addition, the Company is claiming the sum of \$3,779,334 plus interest from the Government of Newfoundland, under the acquisition contract which provides for arbitration as the means of resolving certain disagreements over the amounts to be paid. The additional amount claimed is related to expenses and advances made by the Company in connection with the project. The Government of Newfoundland has until now claimed that these expenses and advances were not reasonably necessary, or that they were excluded from the contract. Arbitration sessions were held in 1979, 1980 and 1981 and arbitration is still in progress.

See report to the receiver-manager.
Unaudited.

Javelin International Limited
Notes to consolidated financial statements
December 31, 1982 and 1983

15. Contingent liabilities and litigation (continued)

- e. Legal contestation of the escalation tax on royalties claimed for the years 1976 to 1981 by the Government of Newfoundland

In 1979, the Government of Newfoundland instituted legal proceedings in the Supreme Court of Newfoundland, suing the Company for additional royalties under the Government Javelin Taxation (confirmation of agreement) (amendment) Act, 1960. The Government of Newfoundland considers that an additional tax on shipments of iron ore concentrates is owed. This tax is calculated on an escalatory basis according to the increases in the price of iron. In this action, the Government sought royalties of \$856,663 for 1976, \$992,153 for 1977 and \$728,972 for 1978. On August 20, 1982 the Supreme Court of Newfoundland granted this action for a total of \$2,577,788. In September 1982, the Company filed a notice of appeal in the Appeal Division of the Supreme Court of Newfoundland. The appeal is pending.

In October 1982, the Government of Newfoundland instituted legal proceedings in the Supreme Court of Newfoundland claiming royalties, under the above-mentioned act, for a total of \$4,782,165, for 1979, 1980 and 1981. The Company is also contesting this action.

- f. Bison Petroleum & Minerals Limited, Dominion Jubilee Corporation Limited and Jubilee Quebec Holdings Limited

Several actions involving the Company, Bison Petroleum & Minerals Limited ("Bison"), Dominion Jubilee Corporation Limited ("Dominion"), Jubilee Quebec Holdings Limited ("Jubilee"), and their directors and officers were instituted in Ontario, Quebec and Newfoundland. The lawsuits followed a conflict in 1976 between two groups of directors of the Company, which led to the departure of Mr. Wismer and certain other directors. The latter, being also directors and/or officers of Bison, Dominion and Jubilee, authorized the issuance of shares which could have resulted in the Company losing control over these companies. If these share issuances had been upheld, the Company's percentage of Bison's and Dominion's capital stock would have decreased from approximately 61% to 35% and from 33% to 24%, respectively. In 1977, the Company commenced

Javelin International Limited
Notes to consolidated financial statements
December 31, 1982 and 1983

15. Contingent liabilities and litigation (continued)

legal proceedings in the Supreme Court of Ontario against Dominion, Bison, Mr. Wismer, Frank A. Potter and other persons, seeking cancellation of the shares issued in February 1977, an injunction and damages of \$11,000,000. In 1977, an action was taken by the Company against Bison, claiming \$827,069 being the amount Bison should have paid with respect to the expenses paid by the Company in settlement of certain litigation. Also, an action was taken by Bison against the Company in 1977 claiming damages of \$679,920 and requesting an injunction from the court to prevent the Company from bringing further legal proceedings in Ontario or the State of New York.

In 1977, Bison brought an action before the Supreme Court of Ontario seeking to cancel 1,440,000 shares of its capital stock issued in 1966 to the Company. Bison alleged that the shares were issued without consideration.

In 1977, the Company filed a claim for \$401,490 in the Supreme Court of Newfoundland against Dominion. This amount represents certain advances made by the Company to Dominion. The Company claimed an additional \$175,813 for related interest and costs. Bison was called as a guarantor and, in 1980, Bison filed a counterclaim claiming \$671,082 from the Company.

In 1978, Bison commenced an action in the Supreme Court of Newfoundland claiming \$671,082 from the Company for amounts allegedly advanced to the Company by Bison, plus interest and costs. The counterclaim above-mentioned is related to the same alleged advance for \$671,082 that Bison sought to recover.

In 1981, the Company acquired 50,000 common shares of Jubilee's capital stock for \$50,000. Jubilee owns 23 mining claims in the O'Keefe Lake area, and 29 mining claims in the Star Lake area, Quebec. In 1981, Bison and Dominion brought an action before the Superior Court of the District of Montreal, against Jubilee and its directors to which action the Company was subsequently joined, seeking to cancel the 50,000 shares issued to the Company, to reinstate Mr. Wismer as a director of Jubilee and to obtain an injunction to prevent any transfer of the said shares or the related voting rights, as well as any transfer of the Star-O'Keefe deposits.

See report to the receiver-manager.
Unaudited.

Javelin International Limited
Notes to consolidated financial statements
December 31, 1982 and 1983

15. Contingent liabilities and litigation (continued)

On December 21, 1983, the receiver-manager, as authorized by the Quebec Superior Court, executed on the Company's behalf, various agreements (the Bison Settlement Agreement, the Dominion Jubilee Settlement Agreement, and the Jubilee Quebec Settlement Agreement), under which Minutes of Settlement and other judicial proceedings of the nature of discontinuances and the like, were submitted to the appropriate courts in Ontario and Quebec. These various proceedings, following the agreements aforementioned, had the following effects:

- i) All of the above-mentioned litigation has been disposed, settled, and/or agreed upon, either through dismissal, discontinuance or judgment.
- ii) The agreements under which Dominion and Bison issued shares in 1977 were declared null and void by the Supreme Court of Ontario and the allotment, issue and such shares were set aside and the share certificates ordered cancelled and that they be delivered up and surrendered to the respective issuing corporations.
- iii) The inter-corporate indebtedness between the Company, Dominion, and Bison was re-instated to the amounts in effect before the share issuances in 1977.
- iv) Dominion's control of Jubilee was re-established by the return to Dominion of the 6 originally issued shares of Jubilee, which constituted, in 1977, all of Jubilee's outstanding and issued shares. Currently, there are still outstanding an additional 96,000 shares of Jubilee, of which 31,000 were issued in 1977 to two fiduciaries and 65,000 were issued to the Company in 1981. Under the Jubilee Quebec Share Agreement, the 96,000 shares will also revert to Dominion, upon the completion of the formalities necessary to accomplish the objects of the settlement agreements and the Company has agreed to transfer, at cost, the 65,000 shares registered in its name in Jubilee's capital stock.

See report to the receiver-manager.
Unaudited.

Javelin International Limited
Notes to consolidated financial statements
December 31, 1982 and 1983

15. Contingent liabilities and litigation (continued)

g. MacPherson v. Javelin International Limited

In 1976, a former director and officer of a subsidiary of the Company brought an action in the Superior Court of the District of Montreal, seeking \$336,713 in damages for loss of office. In March 31, 1982, the Court awarded the plaintiff \$79,960 plus interest and the sum of \$1,000 per month for 149 months, commencing on April 1, 1982. The Company has filed an appeal in the Court of Appeal of Quebec. This appeal is still pending. No amount has been provided in the accounts of the Company.

h. Bilan Realty Corporation et al. v. Javelin International Limited et al.

In 1976, an action in a U.S. District Court was brought by 29 purchasers of the Company's common shares against the Company, John C. Doyle and William M. Wismer. In this action, which is still pending, the plaintiffs allege a conspiracy to raise the price of the common shares in violation of the U.S. securities laws. The plaintiffs claim damages in an unspecified amount. No amount has been provided in the accounts of the Company.

i. P.J. De Santis v. Javelin International Limited

In September 1983, a former director and officer instituted proceedings in the Superior Court of the District of Montreal against the Company claiming an amount of \$53,207 for 1983 pursuant to an alleged retirement agreement. The proceedings which the Company is contesting, are continuing. No amount has been provided in the accounts of the Company.

j. To secure an amount claimed by Revenue Canada to John C. Doyle, Pavonia assigned in 1979 to Revenue Canada sufficient amounts from its rights to receive from Wabush Mines the payments (previously assigned by Javelin International Limited to Pavonia) arising under the Javelin-Wabush Iron Contract (see Note 1a.). As of January 1982, the balance claimed by Revenue Canada from Mr. Doyle was \$339,376.

k. As of December 31, 1981, Pavonia had a long-term loan payable to the Banque Nationale de Paris (Panama) for an amount of \$3,457,078. This loan was collateralized by an assignment of royalties from Wabush Mines (see Notes 1a. and 2).

See report to the receiver-manager.
Unaudited.

Javelin International Limited
Notes to consolidated financial statements
December 31, 1982 and 1983

15. Contingent liabilities and litigation (continued)

- l. By letter to the receiver-manager dated August 5, 1982 someone purporting to act on Pavonia's behalf claimed to the Company different amounts totalling \$30,069,856 (U.S.). The Company believes that this claim is without merit and will contest any such claim if pursued by Pavonia. No amount has been provided in the financial statements of the Company for such claim.
- m. In August 1982, Javelin Export (Panama), Inc. ("Export") brought an action in Panama City, Panama against the Company seeking approximately \$605,000 U.S. allegedly based on an assignment by a Pavonia subsidiary of a \$605,000 U.S. claim against the Company for payments made, on the Company's behalf, by Javelin Export Limited to Mr. Doyle under a consultancy agreement and for other services. On May 30, 1983, the court issued a default judgment against the Company for \$405,000 U.S., which it increased to \$714,000 U.S. on July 4, 1983. Subsequently Export sought to collect the judgment by a judicial sale before the Panama court of Pavonia's capital stock held by the Company. On February 17, 1984 the court issued an order that Export was the purchaser of Pavonia's capital stock for \$714,000 U.S. in satisfaction of the default judgment. Export was the only bidder in the sale. On the same date the Company filed an action against Export in Panama City seeking a nullification of Export's action and award against the Company, and the Pavonia shares were sequestered by the court so that they would not be delivered to Export pending a resolution of the action.

In February 1984, the District Attorney of Panama, pursuant to instructions from the Attorney General of Panama, petitioned a court in Panama City to place Pavonia's assets under the administration of a court-appointed curator, under Panama's commercial code. Such action was requested by the Company, in accordance with a recommendation of the Restrictive Trade Practice Commission of Canada, and as authorized by the Quebec Superior Court in November 1983. In late February 1984, an attorney in Panama City, who represents Pavonia, file a petition with the court requesting the court not to grant the Attorney General's request, alleging, among other things, that the Company is not Pavonia's sole shareholder.

Javelin International Limited
Notes to consolidated financial statements
December 31, 1982 and 1983

16. Capital stock

	<u>1983</u>	<u>1982</u>
Authorized		
An unlimited number of class "A"		
preferred shares, no par value		
An unlimited number of common shares		
Issued and fully paid		
7,169,648 common shares	<u>\$42,592,787</u>	<u>\$42,592,787</u>

Under the Company's stock option plan which expired in 1980, shares of the authorized capital stock were reserved for key personnel, officers and directors.

Outstanding options at December 31, 1983 are described as follows:

Expiry date	Options outstanding as at December 31, 1981	Options expired or cancelled during 1982	Options outstanding as at December 31, 1982	Options expired or cancelled during 1983	Options outstanding as at December 31, 1983	Exercise price per share
May 1982	8,488	8,488	-	-	-	\$1.49
August 1983	8,488	3,183	5,305	5,305	-	1.15
August 1984	8,488	3,183	5,305	-	5,305	1.40
March 1985	<u>93,886</u>	<u>22,278</u>	<u>71,608</u>	<u>12,730</u>	<u>58,878</u>	1.55
	<u>119,350</u>	<u>37,132</u>	<u>82,218</u>	<u>18,035</u>	<u>64,183</u>	

No options were exercised in 1982 or 1983.

17. Royalties

Javelin International Limited receives royalties from Wabush Mines on iron ore shipped at rates based on the published Lake Erie price of Old Range Non-Bessemer ore (\$2.13484 per ton at December 31, 1983; \$2.12774 per ton at December 31, 1982). These royalties are not to be less than \$3,250,000 annually.

Javelin International Limited is obligated to pay to Knoll Lake Minerals Limited (39.5% owned by Javelin International Limited) a royalty of \$0.32 per ton on shipments from the Wabush Mines.

Knoll Lake Minerals Limited pays annually, dividends equal to royalties received less expenses and income taxes. These dividends are recorded on the accrual basis.

See report to the receiver-manager.
Unaudited.

Javelin International Limited
Notes to consolidated financial statements
December 31, 1982 and 1983

18. Extraordinary items

Extraordinary items are made up as follows, net of income taxes:

	<u>1983</u>	<u>1982</u>
Provision relating to investments in and advances to associated companies (Note 3)	\$ -	(\$3,515,789)
Provision relating to advances made to Pavonia S.A. from January 1, 1982 to April 7, 1982 (Note 2)	-	(810,680)
Gain on settlement of debts (a)	555,000	247,122
Gain on sale of building	<u>-</u>	<u>181,419</u>
	<u>\$555,000</u>	<u>(\$3,897,928)</u>

- (a) Further to his appointment as receiver-manager of the Company, Mr. Michel Robert, Q.C., entered into negotiations with persons who claimed they were creditors of the Company for obligations incurred prior to his appointment. Consequently, in many instances, arrangements included gains on settlement of these debts. These gains are recorded as extraordinary items in the years during which such arrangements occurred.

See report to the receiver-manager.
Unaudited.

Javelin International Limited
Notes to consolidated financial statements
December 31, 1982 and 1983

19. Differences in application of United States and Canadian Generally Accepted Accounting Principles

a. Net income (loss) reconciliations

	<u>1983</u>	<u>1982</u>
Income (loss) before extraordinary item per statement of income - as determined in accordance with Canadian Generally Accepted Accounting Principles (GAAP)	\$2,212,038	(\$ 773,375)
Add (deduct)		
Gain on sale of building treated as extraordinary item under Canadian GAAP (Note 18)	-	181,419
Settlement of income tax litigation with the Government of Newfoundland treated as prior year's adjustment under Canadian GAAP	-	646,632
Settlement of income tax litigation with Revenue Canada and Province of Quebec treated as prior year's adjustment under Canadian GAAP	-	(1,599,826)
Adjustment in respect of deferred liability under individual retirement agreements	<u>8,508</u>	<u>250,644</u>
Income (loss) before extraordinary items as determined in accordance with United States GAAP	2,220,546	(1,294,506)
Extraordinary items		
Provision relating to investments in and advances to associated companies	-	(3,515,789)
Provision relating to advances made to Pavonia S.A. from January 1, 1982 to April 7, 1982	-	(810,680)
Settlement of debts	<u>555,000</u>	<u>247,122</u>
Net income (loss) as determined in accordance with United States GAAP	<u>\$2,775,546</u>	<u>(\$5,373,853)</u>

See report to the receiver-manager.
Unaudited.

Javelin International Limited
Notes to consolidated financial statements
December 31, 1982 and 1983

19. Differences in application of United States and Canadian Generally Accepted Accounting Principles (continued)

a. Net income (loss) reconciliations (continued)

	<u>1983</u>	<u>1982</u>
Income (loss) per share (per United States GAAP)		
Income (loss) before extraordinary item	\$0.310	(\$0.181)
Extraordinary item	<u>0.077</u>	<u>(0.569)</u>
Net income (loss)	<u>\$0.387</u>	<u>(\$0.750)</u>

b. Reconciliation of deficit

Deficit per statement of deficit as at December 31, 1981 in accordance with Canadian GAAP as restated	(\$28,645,321)
(Add) deduct	
Decrease in parent company's interest in its subsidiary arising from issuance of capital stock by the subsidiary in 1973 (see 19c)	(419,350)
Liability under individual retirement agreement entered into before December 31, 1981 recorded under United States GAAP (see 19d)	(589,409)
Settlement of income tax litigation with Government of Newfoundland treated as a prior year adjustment under Canadian GAAP (see Note 5)	(646,632)
Settlement of income tax litigation with Revenue Canada and Province of Quebec treated as a prior year adjustment under Canadian GAAP (see Note 13)	<u>1,599,826</u>
Deficit as at December 31, 1981 in accordance with United States GAAP as restated	(28,700,886)
Net loss for 1982 in accordance with United States GAAP	<u>(5,373,853)</u>
Deficit as at December 31, 1982 in accordance with United States GAAP	(34,074,739)
Net income for 1983 in accordance with United States GAAP	<u>2,775,546</u>
Deficit as at December 31, 1983 in accordance with United States GAAP	<u>(\$31,299,193)</u>

See report to the receiver-manager.
Unaudited.

Javelin International Limited
Notes to consolidated financial statements
December 31, 1982 and 1983

19. Differences in application of United States and Canadian Generally Accepted Accounting Principles (continued)

- c. In 1973, a subsidiary of Javelin International Limited issued capital stock to retire debt. The effect of the change of Javelin International Limited's interest in its subsidiary as a result of the share issue was included in the determination of consolidated net income in 1973, which conformed with GAAP in Canada.

In accordance with GAAP in the United States, the increases in the parent company's interest in its subsidiary arising from issuance of capital stock by the subsidiary would have increased capital surplus rather than being recorded as extraordinary income.

If GAAP in the United States had been followed, income and retained earnings as reported in 1973 would have been reduced by \$419,350 resulting in a loss of \$146,318 (\$0.02 per share) rather than income of \$273,032 (\$0.04 per share) and capital surplus would have increased by \$419,350. Concomitantly, in statements for periods subsequent to 1973, if GAAP in the United States had been followed, consolidated retained earnings as stated would be decreased by \$419,350 and capital surplus would be increased by the same amount.

- d. In accordance with GAAP in the United States, the present value of compensation arising from an individual retirement agreement would have been accrued by the end of the individual's active period of employment. Under GAAP in Canada, the retirement agreement may be accounted for as a commitment and the compensation under agreement would be considered an expense when paid.

20. Segmented information

The Company's classes of business (principal segments by source of income) are:

Iron ore - royalties
Oil and gas - sales and royalties
Javelin-Wabush Iron Contract
Dividends, interest and other

The Company's principal activities are carried out in Canada.

See report to the receiver-manager.
Unaudited.

Charette, Fortier, Hawey & Cie
Touche Ross & Cie

Javelin International Limited
 Notes to consolidated financial statements
 December 31, 1982 and 1983

20. Segmented information (continued)

Segments by source of income

	1983		1982	
	Gross revenue	Operating profit	Gross revenue	Operating profit
Iron ore - royalties	\$10,847,371	\$4,573,813	\$6,367,436	\$1,891,883
Oil and gas - sales and royalties	1,255,224	919,192	922,319	551,761
Javelin-Wabush Iron Contract	1,330,959	1,330,959	793,632	793,632
Dividends, interest and other	<u>1,048,378</u>	<u>1,048,378</u>	<u>624,323</u>	<u>624,323</u>
	<u>\$14,481,932</u>	<u>7,872,342</u>	<u>\$8,707,710</u>	<u>3,861,599</u>
Less common charges				
Administration and general		1,715,137		2,829,879
Fees paid to receiver- manager and other professionals including disbursements		895,388		787,442
Loss on sale of properties		<u>-</u>		<u>40,639</u>
		<u>2,610,525</u>		<u>3,657,960</u>
Income before income taxes, minority interest and extraordinary items		<u>\$5,261,817</u>		<u>\$ 203,639</u>

See report to the receiver-manager.
 Unaudited.

Charette, Fortier, Hawey & Cie
Touche Ross & Cie

Javelin International Limited
 Notes to consolidated financial statements
December 31, 1982 and 1983

20. Segmented information (continued)

	<u>1983</u>		<u>1982</u>	
	<u>Identifiable</u>	<u>Depreciation</u> <u>and</u>	<u>Identifiable</u>	<u>Depreciation</u> <u>and</u>
	<u>assets</u>	<u>amortization</u>	<u>assets</u>	<u>amortization</u>
Iron ore - royalties	\$ 6,430,154	\$600,597	\$ 5,636,091	\$600,597
Oil and gas - sales and royalties	1,059,814	15,060	1,032,783	13,171
Javelin-Wabush Iron Contract	6,493,022	-	6,002,508	-
Dividends, interest and other	<u>4,040,770</u>	<u>-</u>	<u>4,172,026</u>	<u>-</u>
	18,023,760	615,657	16,843,408	613,768
Assets identifiable with no specific source of income	<u>9,221,687</u>	<u>1,860</u>	<u>7,452,070</u>	<u>2,678</u>
	<u>\$27,245,447</u>	<u>\$617,517</u>	<u>\$24,295,478</u>	<u>\$616,446</u>

See report to the receiver-manager.
 Unaudited.

